

**SPANISH VALLEY WATER & SEWER
IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Spanish Valley Water & Sewer
Improvement District
Moab, Utah 84532

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities of Spanish Valley Water & Sewer Improvement District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Spanish Valley Water & Sewer Improvement District, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Budgetary Comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2007 on our consideration of Spanish Valley Water & Sewer Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Spanish Valley Water & Sewer Improvement District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written in dark ink.

Price, Utah

February 28, 2007

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

This discussion and analysis of the Spanish Valley Water & Sewer Improvement District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are a part of this report.

The District was originally created in 1976 to provide water and sewer service to the unincorporated area south of Moab City. The District basically receives taxes and pays interest and principal on its outstanding bonds. The maintenance and operation of its systems are done through Grand Water & Sewer Service Agency (GW&SSA). GW&SSA was put in place January 1, 1999 as an inter-local agency to manage, maintain, and operate three Districts. The other two districts are: Grand County Special Service Water District and Grand County Water Conservancy District.

FINANCIAL HIGHLIGHTS

- ❖ Capital assets decreased \$255,956 during 2006 due to depreciation.
- ❖ During the year, the District received \$207,603 from GW&SSA for bond expenses.
- ❖ The District's debt decreased \$305,363 from \$3,858,274 in 2005 to \$3,552,911 in 2006.
- ❖ Net assets decreased during 2006 by \$61,832.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provides information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund Financial Statements start on page 14. These statements provide information on how services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE

The District receives revenue from three main sources: property taxes, operating transfers from GW&SSA and interest earnings. However property taxes will no longer be levied as the GO Bonds for this District are paid off in May of 2006. These funds are used to pay the principal and interest on outstanding debt and make improvements to the water and sewer systems.

REPORTING THE DISTRICT AS A WHOLE (Continued)

The analysis of the District as a whole begins on page 12. The Statement of Net Assets and the Statement of Activities report information about the District's activities in a way that helps determine the District's financial health as a result of this year's activities.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of the District's financial position. Other non-financial factors, such as changes in the District's property tax base and the condition of the District's water and sewer systems need to be considered to assess the health of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUND

The District's services are reported in one governmental fund. This fund focuses on how money flows in and out and the balance left at year-end. The fund is reported using *modified accrual* accounting, which measures cash and other *financial* assets that can be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine the financial resources that can be spent in the near future to finance the District's programs. The District has one fund, the General fund.

A large portion of the District's funding is provided through property taxes and transfers from the Agency. The District Board determined several years ago that since a large portion of the revenue is generated in property taxes and operating transfers from the Agency, the proper fund classification for the District was governmental funds rather than proprietary funds, according to accounting standards. Even though 2006 is the last taxing year for the District, they will be receiving delinquent taxes for several years.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

THE DISTRICT AS A WHOLE

During the year, the District's net assets decreased by \$61,832. The following analysis focuses on the net assets (table 1) and changes in net assets (tables 2 & 3) of the District's governmental activities.

At December 31, 2006, the District's total net assets were \$6,828,002. The unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$45,661.

The District's decrease of \$61,832 in net assets (a decrease of only 0.9 percent over the prior year) indicates that the District is in a similar financial position as the previous year.

THE DISTRICT AS A WHOLE (Continued)

Table 1
Net Assets

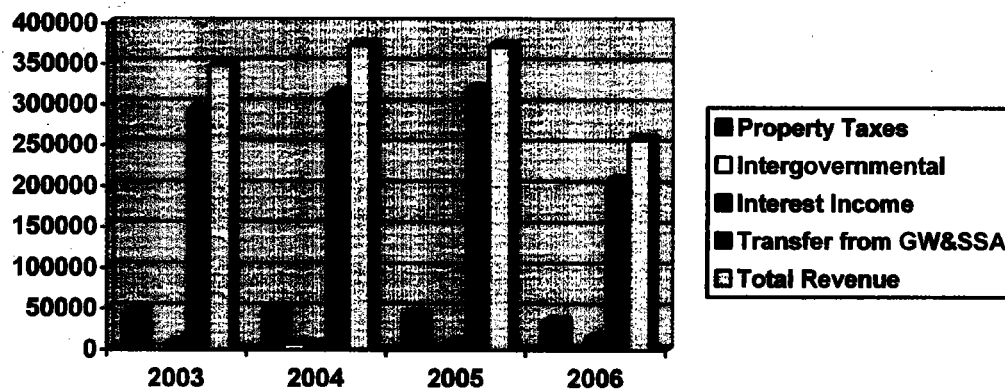
Assets:	2003	2004	2005	2006	2005-2006 Net Changes
Current assets	\$ 66,067	\$ 68,247	\$ 64,507	\$ 60,881	\$ (3,626)
Noncurrent assets	265,590	254,481	302,438	194,825	(107,613)
Capital assets, net of depreciation	10,799,768	10,637,335	10,381,163	10,125,207	(255,956)
Total assets	\$ 11,131,425	\$ 10,960,063	\$ 10,748,108	\$ 10,380,913	\$ (367,195)
Liabilities:					
Long-term debt outstanding	\$ 4,066,545	\$ 3,840,792	\$ 3,538,339	\$ 3,340,040	\$ (198,299)
Current portion of long-term debt	248,934	254,686	303,052	197,651	(105,401)
Interest payable	20,337	18,215	16,883	15,220	(1,663)
Total liabilities	\$ 4,335,816	\$ 4,113,693	\$ 3,858,274	\$ 3,552,911	\$ (305,363)
Net assets:					
Investment in capital assets, net of debt	\$ 6,484,290	\$ 6,531,071	\$ 6,526,603	\$ 6,587,516	\$ 60,913
Restricted for:					
Debt service	265,590	247,052	298,724	211,831	(86,893)
Unrestricted	45,729	68,247	64,507	28,655	(35,852)
Total net assets	\$ 6,795,609	\$ 6,846,370	\$ 6,889,834	\$ 6,828,002	\$ (61,832)

CHANGES IN REVENUES

The District receives revenue from three sources: Property taxes, interest earnings and operating transfers from GW&SSA. Total revenues decreased \$114,889 or 30.88 percent over the prior year.

Table 2
Changes in Revenues

Revenues	2003	2004	2005	2006	2004-2005 % Change
Property taxes	\$ 45,879	\$ 47,475	\$ 43,194	\$ 34,583	-19.94%
Intergovernmental -grant		7,400			
Interest income	8,851	5,358	9,554	14,944	56.42%
Transfer from GW&SSA	293,247	313,807	319,271	207,603	-34.98%
Total Revenues	\$ 347,977	\$ 374,040	\$ 372,019	\$ 257,130	-30.88%



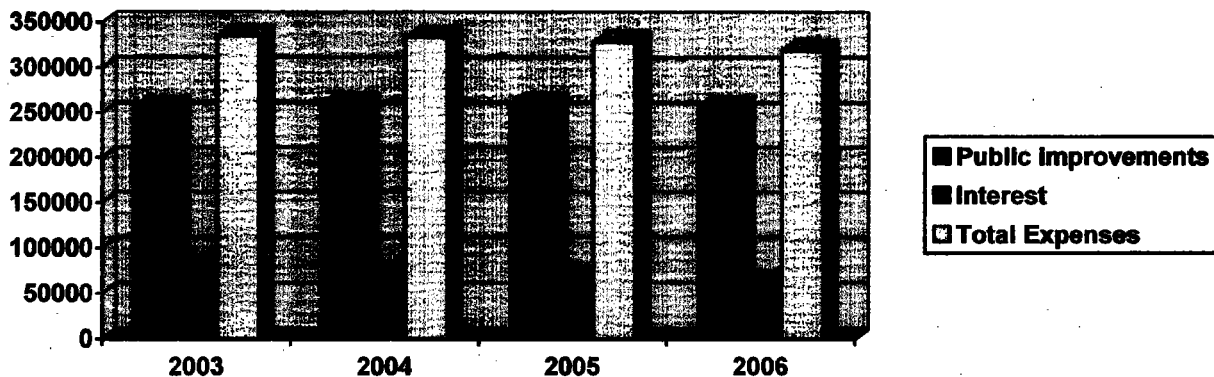
CHANGES IN EXPENSES AND NET ASSETS

The District's primary expenses include: Debt interest payments and depreciation. During the year, both interest expense and depreciation expense decreased slightly and, as a result, total expenses decreased \$9,593 or 2.92 percent over the prior year.

During 2006, net assets decreased \$61,832 or .9 percent over the prior year, see table 3.

Table 3
Changes In Expenses and Net Assets

Expenses	2003	2004	2005	2006	2005-2006 % Change
Interest on debt	\$ 79,411	\$ 73,303	\$ 68,644	\$ 63,000	-8.22%
Public improvements	255,976	260,089	259,911	255,962	-1.52%
Total expenses	\$ 335,387	\$ 333,392	\$ 328,555	\$ 318,962	-2.92%
Net assets - beginning	\$ 6,783,019	\$ 6,795,609	\$ 6,846,370	\$ 6,889,834	
Net assets - ending	6,795,609	6,846,370	6,889,834	6,828,002	
Change in net assets	\$ 12,590	\$ 50,761	\$ 43,464	\$ (61,832)	-0.90%



GOVERNMENTAL ACTIVITIES

Table 4 presents the District's net cost of services (total cost less revenue generated by activity). The net cost for all governmental activities was \$318,962. As shown in the Statement of Activities, located on page 13, the amount that our taxpayers ultimately financed for these activities through property taxes was \$34,583. This points out that the District relies upon property taxes to finance 10.90% of its operations.

Table 4
Governmental Activities

	<u>Total Cost of Services 2006</u>	<u>Program Revenue 2006</u>	<u>Net Cost of Services 2006</u>
Primary government			
Governmental activities:			
Public Improvements	\$ 255,962		\$ 255,962
Interest on long-term debt	63,000		63,000
	<u>\$ 318,962</u>	<u>\$...</u>	<u>\$ 318,962</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board amended the District's budget one time. The budget amendment was to adjust for estimates made in the prior year, to prevent budget overruns and to more closely reflect the District's financial picture.

After these adjustments, the actual expenditures were less than the final budgeted expenditures by \$23,316 and actual resources available for appropriation (revenues) were \$2,269 above the final budgeted amount (see comparison in table 5 located on the next page).

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Table 5
Budget vs Actual

	2006 Actual	12/8/2005 2006 Budget	Amended 12/7/2006 2006 Budget	Actual vs Budget Variance
Revenues				
Taxes	\$ 34,583	\$ 34,313	\$ 34,283	\$ 300
Interest income	14,944	6,000	12,975	1,969
	<u>\$ 49,527</u>	<u>\$ 40,313</u>	<u>\$ 47,258</u>	<u>\$ 2,269</u>
Expenses				
Public improvements	\$ 5	\$ 24	\$ 14	\$ 9
Principal on debt	303,701	301,515	310,000	6,299
Interest on debt	60,949	19,621	77,957	17,008
	<u>\$ 364,655</u>	<u>\$ 321,160</u>	<u>\$ 387,971</u>	<u>\$ 23,316</u>
Other Financing Sources (Uses)				
Operating Transfers	\$ 207,603	\$ 280,847	\$ 340,713	(133,110)
	<u>\$ 207,603</u>	<u>\$ 280,847</u>	<u>\$ 340,713</u>	<u>\$ (133,110)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

San Juan County along with GW&SSA and this District are investigating the possibility of a regional wastewater treatment plant. An engineering feasibility study will be started in early 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Table 6
Capital Assets at Year-end
(Net of Depreciation)

	2003	2004	2005	2006
Land	\$ 46,547	\$ 46,547	\$ 46,547	\$ 46,547
Land improvements	798	599	319	80
Building/building improvements	10,511	9,539	8,568	7,619
Water/Sewer Improvements	10,737,760	10,578,528	10,324,528	10,070,721
Equipment	4,152	2,162	1,201	240
Total	\$ 10,799,768	\$ 10,637,375	\$ 10,381,163	\$ 10,125,207

Debt

At the year-end, the District had \$3,552,911 in notes outstanding after paying off the general obligation and two revenue bonds. This is a decrease of \$305,363 or 8.00 percent compared to the prior year.

Table 7
Outstanding Debt at Year-End

	2003	2004	2005	2006
Bonds and notes payable	\$ 4,335,816	\$ 4,113,693	\$ 3,858,274	\$ 3,552,911

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The District experiences a constant change in its financial condition due to an average growth rate of 4.97 percent. Radio read meters are currently being added to the drinking water system with an anticipated completion date of 2007 for the full system. The budget for the next year includes costs associated with this project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Sykes, Manager/Operator, Gary Wilson, Chairman, Lance Christie, Vice Chairman, Mike Holyoak, Clerk, John Hartley, Treasurer, or A. Dan Holyoak, Trustee at P.O. Box 1046, Moab, Utah 84532.

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,500
Investments, unrestricted	40,375
Investments, restricted	194,825
Receivables:	
Taxes	17,006
Total current assets	<u>\$ 255,706</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	
Land	\$ 46,547
Land improvements	80
Buildings	7,619
Water/sewer improvements	10,070,721
Equipment	240
Total noncurrent assets	<u>\$ 10,125,207</u>
Total assets	<u>\$ 10,380,913</u>
LIABILITIES	
Current liabilities:	
Bond interest payable	\$ 15,220
Current portion of long-term obligations	197,651
Total current liabilities	<u>\$ 212,871</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	\$ 3,340,040
Total liabilities	<u>\$ 3,552,911</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,587,516
Restricted for:	
Debt service	211,831
Unrestricted	28,655
Total net assets	<u>\$ 6,828,002</u>
Total liabilities and net assets	<u>\$ 10,380,913</u>

"The accompanying notes are an integral part of this statement."

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government				
Governmental activities:				
Highways and public improvements	\$ 255,962			\$ (255,962)
Interest and fees on long-term debt	63,000			(63,000)
Total governmental activities	\$ 318,962	\$...	\$...	\$ (318,962)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 34,583
Investment earnings				14,944
Operating transfer from other governments				207,603
Total general revenues, special items, and transfers				\$ 257,130
Change in net assets				\$ (61,832)
Net assets - beginning				6,889,834
Net assets - ending				\$ 6,828,002

"The accompanying notes are an integral part of this statement."

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

ASSETS

Cash in banks	\$ 3,500
Investments, unrestricted	40,375
Investments - restricted	194,825
Property taxes receivable	17,006
	<hr/>
Total assets	\$ 255,706
	<hr/> <hr/>

LIABILITIES AND FUND EQUITY**LIABILITIES:**

Total liabilities

\$...
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FUND EQUITY:

Fund balance-

Designated

\$	211,831
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Undesignated

43,875

Total fund equity

\$	255,706
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Total liabilities and fund equity

\$	255,706
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"The accompanying notes are an integral part of this statement."

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental fund types: \$ 255,706

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Land	\$ 46,547	
Land improvements	80	
Buildings	7,619	
Water/sewer improvement	10,070,721	
Equipment	240	10,125,207
	<hr/>	

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Interest payable	\$ (15,220)	
Bonds payable - current portion	(197,651)	
Bonds payable - due one year or more	(3,340,040)	(3,552,911)
	<hr/>	<hr/>

Net assets of government activities		\$ 6,828,002
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"The accompanying notes are an integral part of this statement."

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	TOTALS GOVERNMENTAL FUND TYPES
	GENERAL
REVENUES:	
Taxes	\$ 34,583
Miscellaneous revenues	14,944
Total Revenues	<u>\$ 49,527</u>
EXPENDITURES:	
Highways and public improvements	\$ 5
Debt service -	
Principal	303,701
Interest and fees	60,949
Total expenditures	<u>\$ 364,655</u>
Excess of revenues over (under) expenditures	<u>\$ (315,128)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers from other governments	<u>\$ 207,603</u>
Total other financing sources (uses)	<u>\$ 207,603</u>
Excess of revenues and sources over (under) expenditures and uses	<u>\$ (107,525)</u>
FUND BALANCES, January 1	<u>363,231</u>
FUND BALANCES, December 31	<u><u>\$ 255,706</u></u>

"The accompanying notes are an integral part of this statement."

**SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED DECEMBER 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(107,525)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$255,956) exceeded capital outlays (\$0) in the current period.

(255,956)

The issuance of long-term debt (e.g., bonds) provide current financial resources to governmental funds, while the repayment of the principal of and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activities, principal payments on bonds are not recorded and interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of issuances costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$	303,701	
Interest expense - debt		1,663	
Amortization of bond issuance costs		(3,715)	301,649

Change in net assets of governmental activities	\$	(61,832)
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"The accompanying notes are an integral part of this statement."

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. HISTORY AND ORGANIZATION

Spanish Valley Water & Sewer Improvement District, (referred to as the District hereafter), was organized in 1976 by the Grand County Council. The District has a five-member board of trustees who are all appointed by the Grand County Council. The District provides water and sewer services to the unincorporated areas south of Moab City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The financial statements of Spanish Valley Water & Sewer Improvement District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, (as amended by GASB Statement No. 37) Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

1) The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operation.

Financial statements prepared using full-accrual accounting for all the District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

Spanish Valley Water & Sewer Improvement District is a political subdivision of the State of Utah. A five-member board of trustees, which are appointed by the Grand County Council, governs the District. The District is a legally separate entity that possesses the powers to set its own budget, incur debt, to sue and be sued, and to own and lease property. The County does not exercise significant controlling powers over the District. As such, the District is not a component unit, as defined by the Governmental Accounting Standards Board in statement number 14 "The Financial Reporting Entity". Further, as defined in this statement, the District has no component units, which should be included in the accompanying financial statements. The District is mentioned in the footnote disclosures in the financial statements of Grand County as a related organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

A. Reporting Entity (Continued)

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the District's financial statements.

B. Government-Wide Financial Statements

Generally accepted accounting principals (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)**

The District reports the following major governmental funds:

The general fund is the District's only fund. It accounts for all financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources then unrestricted resources, as they are needed.

D. **Budgetary Data**

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. The District adopts a formal budget.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is, estimated revenues and expenses must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.
7. The Board of Trustees considers the comments made by the public and makes final adjustments to the budget.
8. By December 15, the Board of Trustees adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

E. **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition, including investment in the Public Treasurers' Investment Fund (PTIF).

F. **Investments**

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

G. Capital Assets

Capital assets, which include land, land improvements, water/sewer improvements, buildings, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. The District defines Capital Assets as assets with an individual cost of at least \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Land improvements, water and sewer improvements, buildings, and equipment assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Water/sewer improvements	10 – 60
Buildings	10 – 30
Equipment	3 – 20

H. Property Taxes

The property tax revenue of the District is collected and distributed by the Grand County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessments rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of December 31, 2006, property taxes receivable consists of 1) delinquent taxes assessed but uncollected for calendar year 2005 and earlier and 2) taxes assessed as of January 1, 2006, but are not due and payable until November 30, 2006. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

J. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation. In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

3. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$3,500 of this amount \$3,500 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

3. DEPOSITS AND INVESTMENTS (Continued)

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 235,200	\$ 235,200			
Total Investments	<u>\$ 235,200</u>	<u>\$ 235,200</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

3. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 235,200				\$ 235,200
Total	\$ 235,200	\$...	\$...	\$...	\$ 235,200

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$235,200 invested in the Public Treasurer's Investment Fund and was held by them.

4. RESTRICTED CASH AND NET ASSETS

In connection with bond agreements, the District has agreed to set aside money into a sinking fund account and a reserve fund. These funds are to assure that adequate money is available to service debt payments as they come due. The amount set aside is outlined by the bond agreement. The required amount to be set aside this year in the sinking fund and reserve fund is \$194,825. In the current year, the District has set aside \$194,825 in the bond sinking funds and taxes receivable of \$17,006 that is used for bond payments for a total restricted net assets of \$211,831.

5. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Highways and public improvements	\$255,956
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5. **CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 46,547			\$ 46,547
Total capital assets not being depreciated:	\$ 46,547	\$...	\$...	\$ 46,547
Capital assets being depreciated:				
Land improvements	\$ 2,395			\$ 2,395
Buildings	27,816			27,816
Water/sewer improvement	12,632,035			12,632,035
Equipment	9,608			9,608
Total capital assets being depreciated:	\$ 12,671,854	\$...	\$...	\$ 12,671,854
Less accumulated depreciation for:				
Land improvements	\$ 2,076	\$ 239		\$ 2,315
Buildings	19,248	949		20,197
Water/sewer improvement	2,307,507	253,807		2,561,314
Equipment	8,407	961		9,368
Total accumulated depreciation	\$ 2,337,238	\$ 255,956	\$...	\$ 2,593,194
Total capital assets being depreciation, net	\$ 10,334,616	\$ (255,956)	\$...	\$ 10,078,660
Governmental activities capital assets, net	\$ 10,381,163	\$ (255,956)	\$...	\$ 10,125,207

6. **LONG-TERM DEBT (Continued)**

The District obtained a loan from the Community Impact Bonus Loans, entitled Sewer Revenue Bond, on November 22, 1996, in the District's name for \$225,000, bearing 3.0 percent interest. The loan was used for sewer construction and improvements for the District.

The long-term debt will mature according to the following schedule:

<u>Due Date</u> <u>February 1,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 4,860	\$ 8,000	\$ 12,860
2008	4,620	8,000	12,620
2009	4,380	9,000	13,380
2010	4,110	9,000	13,110
2011	3,840	9,000	12,840
2012-2016	14,970	50,000	64,970
2017-2021	7,020	57,000	64,020
2022	360	12,000	12,360
Total	<u>\$ 44,160</u>	<u>\$ 162,000</u>	<u>\$ 206,160</u>

The District obtained a loan from the Utah Water Quality Board, entitled Spanish Valley Water & Sewer Improvement District Revenue Bond 1996, on November 22, 1996 for the amount of \$835,000, non-interest bearing. The funds from the loan will be used for wastewater construction and maintenance for the District.

The long-term debt will mature according to the following schedule:

<u>Due Date</u> <u>February 1,</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 42,000	\$ 42,000
2008	42,000	42,000
2009	42,000	42,000
2010	42,000	42,000
2011	42,000	42,000
2012-2016	210,000	210,000
2017	42,000	42,000
Total	<u>\$ 462,000</u>	<u>\$ 462,000</u>

6. **LONG-TERM DEBT (Continued)**

The District has been granted three loans from the United States Department of Agriculture Rural Development. This loan, in combination with the two subsequently shown loans of \$189,000 and \$400,000 were made to obtain sufficient funds for construction of a waste water system for the District. This loan from the Department of Agriculture is for \$400,000, bearing interest of 4.5 percent, payable over 40 years, and is secured by a Sewer Revenue Bond 1996. The repayment schedule is as follows:

\$400,000 Loan (Payable in monthly payments of \$1,808)

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 15,852	\$ 5,844	\$ 21,696
2008	15,583	6,113	21,696
2009	15,302	6,394	21,696
2010	15,009	6,687	21,696
2011	14,702	6,994	21,696
2012-2016	68,382	40,098	108,480
2017-2021	58,286	50,194	108,480
2022-2026	45,647	62,833	108,480
2027-2031	29,826	78,654	108,480
2032-2033	10,063	90,731	100,794
Total	<u>\$ 288,652</u>	<u>\$ 354,542</u>	<u>\$ 643,194</u>

6. **LONG-TERM DEBT (Continued)**

The District has been granted three loans from the United States Department of Agriculture Rural Development. This loan, in combination with the previously shown and the subsequently shown loans of \$400,000 each were made to obtain sufficient funds for construction of a waste-water system for the District. This loan from the Department of Agriculture is for \$189,000, bearing interest of 4.5 percent, payable over 40 years, and is secured by a Sewer Revenue Bond 1996. The repayment schedule is as follows:

\$189,000 Loan (Payable in monthly installments of \$855)

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 7,387	\$ 2,873	\$ 10,260
2008	7,255	3,005	10,260
2009	7,116	3,144	10,260
2010	6,972	3,288	10,260
2011	6,821	3,439	10,260
2012-2016	31,585	19,715	51,300
2017-2021	25,487	25,813	51,300
2022-2026	20,406	30,894	51,300
2027-2031	12,628	38,672	51,300
2032-2035	3,207	35,730	38,937
Total	<u>\$ 128,864</u>	<u>\$ 166,573</u>	<u>\$ 295,437</u>

6. **LONG-TERM DEBT (Continued)**

The District has been granted three loans from the United States Department of Agriculture Rural Development. This loan, in combination with the two previously shown loans of \$189,000 and \$400,000 were made to obtain sufficient funds for construction of a waste- water system for the District. This loan from the Department of Agriculture is for \$400,000, bearing interest of 4.5 percent, payable over 40 years, and is secured by a Parity Water Revenue Bond 2000B. The loan is payable in monthly payments of \$1,816. The repayment schedule is as follows:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 16,858	\$ 4,934	\$ 21,792
2008	16,631	5,161	21,792
2009	16,394	5,398	21,792
2010	16,146	5,646	21,792
2011	15,887	5,905	21,792
2012-2016	75,107	33,853	108,960
2017-2021	66,583	42,377	108,960
2022-2026	55,913	53,047	108,960
2027-2031	42,556	66,404	108,960
2032-2036	25,836	83,124	108,960
2037-2040	5,925	70,727	76,652
Total	<u>\$ 353,836</u>	<u>\$ 376,576</u>	<u>\$ 730,412</u>

The District obtained a loan from the Utah Division of Drinking Water, entitled Spanish Valley Water & Sewer Improvement District Parity Water Revenue Bond, Series 2000A, on September 28, 2000 for the amount of \$2,400,000, bearing interest of .535 percent. The funds from the loan are being used for construction of a water system for the District. The repayment schedule is as follows:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
01-01-2007	\$ 9,630	\$ 120,000	\$ 129,630
01-01-2008	8,988	120,000	128,988
01-01-2009	8,346	120,000	128,346
01-01-2010	7,704	120,000	127,704
01-01-2011	7,062	120,000	127,062
2012-2016	25,680	600,000	625,680
2017-2021	9,630	600,000	609,630
Total	<u>\$ 77,040</u>	<u>\$ 1,800,000</u>	<u>\$ 1,877,040</u>

6. **LONG-TERM DEBT (Continued)**

The District obtained a loan from the Utah Division of Drinking Water, entitled Spanish Valley Water & Sewer Improvement District Parity Water Revenue Bond, Series 2000C, on April 8, 2002 for the amount of \$238,400, bearing interest of .535 percent. The funds from the loan are being used for construction of a water system for the District. The repayment schedule, when all of the funds have been received, will be as follows:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
01-01-2007	\$ 1,155	\$ 14,000	\$ 15,155
01-01-2008	1,080	13,000	14,080
01-01-2009	1,010	14,000	15,010
01-01-2010	935	13,000	13,935
01-01-2011	867	14,000	14,867
2012-2016	3,242	67,000	70,242
2017-2021	1,439	68,000	69,439
2022	70	13,000	13,070
Total	<u>\$ 9,798</u>	<u>\$ 216,000</u>	<u>\$ 225,798</u>

6. **LONG-TERM DEBT (Continued)**

Listed below is the change in long-term debt during the year ended December 31, 2006.

	Balance 12-31-05	Debt Retired	New Issues	Balance 12-31-06	Amount Due in One Year
Governmental Activities:					
Bonds payable					
G.O. Sewer Refund Bond 1996	\$ 17,000	\$ (17,000)			
Water Refund Rev Bond 1996	39,000	(39,000)			
Sewer Refund Rev Bond 1996	51,000	(51,000)			
CIB Sewer Rev Bond 1996	170,000	(8,000)		\$ 162,000	\$ 8,000
DWQ Sewer Rev Bond 1996	504,000	(42,000)		462,000	42,000
Rur Dev Rev Bond 1996	360,410	(5,868)		354,542	5,844
Rur Dev Rev Bond 1996	169,395	(2,822)		166,573	2,873
DDW Water Rev Bond 2000A	1,920,000	(120,000)		1,800,000	120,000
Rur Dev Water Rev Bond 2000B	381,586	(5,010)		376,576	4,934
DDW Water Rev Bond 2000C	229,000	(13,000)		216,000	14,000
Total	\$ 3,841,391	\$ (303,700)	\$...	\$ 3,537,691	\$ 197,651

7. **PENSION**

Spanish Valley Water & Sewer Improvement District does not participate in a retirement program.

8. **PAYROLL EXPENSE**

Spanish Valley Water & Sewer Improvement District did not have any payroll expense during the year ended December 31, 2006.

9. **CONTINGENT OBLIGATIONS**

Management, the Board of Directors and legal counsel for Spanish Valley Water & Sewer Improvement District are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2006, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

10. **RESERVED FUND BALANCE**

The designated fund balance, as shown on the balance sheet, has been set aside for retirement of the District's bonds payable.

11. **BUDGETARY COMPLIANCE**

The District did not overspend their general fund in the current year.

12. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. The District pays an annual premium for this coverage.

13. **USE OF ESTIMATES**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	GENERAL			
	ORIGINAL BUDGET	FINAL APPROPRIATED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 34,313	\$ 34,283	\$ 34,583	\$ 300
Miscellaneous revenues	6,000	12,975	14,944	1,969
Total revenues	\$ 40,313	\$ 47,258	\$ 49,527	\$ 2,269
EXPENDITURES:				
Highways and public improvements	\$ 24	\$ 14	\$ 5	\$ 9
Debt service -				
Principal	301,515	310,000	303,701	6,299
Interest and fees	19,621	77,957	60,949	17,008
Total expenditures	\$ 321,160	\$ 387,971	\$ 364,655	\$ 23,316
Excess of revenues over (under) expenditures	\$ (280,847)	\$ (340,713)	\$ (315,128)	\$ 25,585
OTHER FINANCING SOURCES (USES):				
Operating transfers from other governments	\$ 280,847	\$ 340,713	\$ 207,603	\$ (133,110)
Total other financing sources (uses)	\$ 280,847	\$ 340,713	\$ 207,603	\$ (133,110)
Excess of revenues and sources over (under) expenditures and uses			\$ (107,525)	\$ (107,525)
FUND BALANCES, January 1			363,231	363,231
FUND BALANCES, December 31	\$...	\$...	\$ 255,706	\$ 255,706

"The accompanying notes are an integral part of this statement."

**SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND
ADMINISTRATION COSTS - ALLOCATED FOR ALL DISTRICTS
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GRAND WATER AND SEWER SERVICE AGENCY AUDIT TOTALS DECEMBER 31, 2006	GRAND COUNTY WATER CONSERVANCY DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2006	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2006	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2006
Governmental Revenues:				
Taxes		\$ 91,024	\$ 34,583	\$ 169,384
Interest income		11,691	14,944	17,885
Total governmental revenues	\$...	\$ 102,715	\$ 49,527	\$ 187,269
Operating Revenues: (allocated to Districts)				
Water fees	\$ 482,808	\$ 131,374	\$ 351,434	
Sewer fees	478,175		478,175	
Impact fees	123,157		123,157	
Other fees	24,124	447	23,677	
Irrigation fees	109,733	109,733		
Total operating revenues	\$ 1,217,997	\$ 241,554	\$ 976,443	\$...
Total all revenues	\$ 1,217,997	\$ 344,269	\$ 1,025,970	\$ 187,269
Governmental expenditures:				
Highways and public improvements			\$ 5	
Debt service-				
Principal		\$ 111,558	303,701	\$ 114,511
Interest and fees		51,417	60,949	46,279
Total governmental expenditures	\$...	\$ 162,975	\$ 364,655	\$ 160,790
Operating Expenses: (allocated to Districts)				
Administrative costs allocation (net of interest income - \$59,640)	\$ 316,738	\$ 41,346	\$ 275,392	
Water commissioner	3,958	3,958		
Sewer treatment	131,696		131,696	
Water assessments and purchases	32,152	32,152		
Repairs and maintenance	300,522	59,766	240,756	
Billing expense	5,657	566	5,091	
Rent	7,161	716	6,445	
Total operating expenses	\$ 797,884	\$ 138,504	\$ 659,380	\$...
Total all expenditures/expenses	\$ 797,884	\$ 301,479	\$ 1,024,035	\$ 160,790

**SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND
ADMINISTRATION COSTS - ALLOCATED FOR ALL DISTRICTS
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GRAND WATER AND SEWER SERVICE AGENCY TOTALS DECEMBER 31, 2006	GRAND COUNTY WATER CONSERVANCY DISTRICT TOTALS DECEMBER 31, 2006	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT TOTALS DECEMBER 31, 2006	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT TOTALS DECEMBER 31, 2006
Excess of all revenues over (under) all expenditures/expenses	\$ 420,113	\$ 42,790	\$ 1,935	\$ 26,479
Non-operating Revenues (Expenses) (Agency amounts allocated to Districts)				
Miscellaneous revenue	\$ 1,410		\$ 1,410	
Connection fees	37,985		37,985	
Transfer to Water & Sewer Agency	83,815	\$ (17,260)	(66,555)	\$ (17,260)
Transfer to Water Conservancy District	(75,000)	75,000		
Transfer to Spanish Valley W & S	(274,158)		274,158	
Total non-operating revenues (expenses)	\$ (225,948)	\$ 57,740	\$ 246,998	\$ (17,260)
Net income/(loss)	\$ 194,165	\$ 100,530	\$ 248,933	\$ 9,219
Allocation of Grand Water & Sewer Service Agency net income/(loss) *	\$ 194,165	\$ 45,310	\$ 148,855	
Net income/(loss) current year	\$...	\$ 145,840	\$ 397,788	\$ 9,219

* Calculation of allocated Net income/(loss)
of Grand Water & Sewer Service Agency

Total operating revenues	\$ 241,554	\$ 976,443
Total operating expenses	(138,504)	(659,380)
Net operating income/(loss)	\$ 103,050	\$ 317,063
Non-operating revenues/(expenses)		
Miscellaneous revenue		\$ 1,410
Connection Fees		37,985
Transfer from/(to)	\$ (57,740)	(207,603)
Total non-operating revenues/(expenses)	\$ (57,740)	\$ (168,208)
Net income/(loss)	\$ 45,310	\$ 148,855

Note: This schedule is for analysis of funds available in the Grand Water & Sewer Service Agency that pertain to Grand County Water Conservancy District, Spanish Valley Water & Sewer Improvement District and Grand County Special Service Water District. Financial information does not necessarily reflect the revenues and expenditures/expenses reported in their individual reports.

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Spanish Valley Water & Sewer Improvement District
Moab, Utah 84532

RE: Report on Compliance and Other Matters
and on Internal Control Over Financial
Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of the governmental activities of Spanish Valley Water & Sewer Improvement District, as of and for the year ended December 31, 2006, and have issued our report thereon dated February 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the operating committee, management, others within the organization, board of trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Laurie Rich & Marsing".

Price, Utah

February 28, 2007

SMUIN, RICH & MARSING

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Board of Trustees
Spanish Valley Water & Sewer Improvement District
Moab, Utah 84532

Re: Report on Legal Compliance with Applicable
Utah State Laws and Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities of Spanish Valley Water & Sewer Improvement District, for the year ended December 31, 2006, and have issued our report thereon dated February 28, 2007. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Special Districts

Budgetary Compliance
Truth in Taxation & Property
Tax Limitations
Other Compliance Requirements

The District did not receive any major or nonmajor state grants during the year ended December 31, 2006.

The management of Spanish Valley Water & Sewer Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Spanish Valley Water & Sewer Improvement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

SMUIN, RICH & MARSING

Samir, Rich & Marsing

Price, Utah

February 28, 2006